

Statement

Gerald C. Johnson

President

THE FIRST NATIONAL BANK OF GRAND RIDGE

Joint Agency Hearing on Community Reinvestment Act

Good Morning. I am Gerald Johnson, President, of The First National Bank of Grand Ridge in Grand Ridge, Illinois. The First National Bank of Grand Ridge is a national bank with approximately \$35 million in assets with one office. I am the Illinois District 1 State Director to the Independent Community Bankers of America's (ICBA) and I serve on Community Bankers Association of Illinois (CBAI) Board. I have 30 years experience as a bank officer. I appreciate the opportunity to participate in today's forum and am pleased to be a part of the panel discussion on the agencies' review of the regulations implementing the Community Reinvestment Act (CRA).

The First National Bank of Grand Ridge Bank is classified as a "small bank" under CRA and received a "Satisfactory" rating from the Office of Comptroller of Currency in March of 2008. As a \$35 million community bank, I have approximately \$10 million in loans consisting of agriculture, commercial, consumer and 1-4 residential loans. In total, I have 279 loans on my books.

My delineated community encompasses an 8 mile radius surrounding Grand Ridge.

Loans in our Delineated Community

The First National Bank of Grand Ridge has been in operation over one hundred and seven years. We continue to reevaluate our agriculture lending due to its cyclical nature and its impact to our risk tolerance. Making mortgage loans to hold in our portfolio pose an interest rate risk. Because we have so few loans per year, whether a loan resides "in" or "out" of our delineated community is a CRA factor. The loan size is a factor. Urban areas are "out" of our delineated community, but they have greater values of collateral along with higher and more stable incomes. Making one \$180K loan in an urban area can be the same dollar wise as making three loans in Grand Ridge utilizing the same type of collateral. These high dollar "out" of community loans can become detrimental to our CRA rating.

Grand Ridge is a mature community that has more deposits than loan demand. For more than 5 decades its population has been stable and house construction has been nonexistent. In the past few years our customer flight to safety and into insured

deposits have increased our banks deposit base. This in turn drops the loan to deposit ratio which is a factor in the CRA rating.

There are very few qualifying municipal investments within my marketplace to meet CRA credits.

Community Banks Invest Time in Their Communities

Our bank serves our community with deposit, lending and other banking services. In addition, we play a key role in many civic activities. The First National Bank of Grand Ridge Bank staff have served on School, Village, County, Fire District and United Way Boards. We have also served as treasurers of many organizations. We donate time to community activities and numerous non for profit groups.

CRA rating is still, by its nature, a regulation that is scored by loans. The giving of time, especially a combination of personal and corporate time, should become another major mitigating factor.

Compliance and Recordkeeping

The records and requirements necessary to document proof of complying with CRA have changed much over my banking career. When our bank was \$12 million in assets, compliance with CRA was much more inconsistent and time-consuming. Keeping CRA compliance simplistic, with minimum documentation and record keeping is essential for banks.

As our bank continues to grow and utilize new banking technology our delineated community will change. Internet and mobile banking can expand our client base and we can compete with much larger institutions. Though the years we are fortunate to be examined by a staff of highly qualified examiners who worked with us to produce a fair assessment.

Conclusion

I greatly appreciate the opportunity to participate on this panel and provide information on this important topic. Our bank is strongly committed to the goals of the Community Reinvestment Act. Our bank wants to invest into our community since its viability is intertwined to our success.

Thank you for the opportunity to provide information to enhance the regulations implementing the CRA.